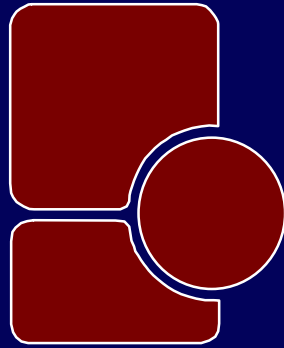


**Joint Legislative Audit and Review Commission  
of the Virginia General Assembly**



# **Review of State Aid to Public Libraries**

**Staff Briefing  
July 9, 2001**

# **Staff of this Study**

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# Presentation Outline

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- ☒ **Study Overview and Summary of Findings**
- ☐ Background
- ☐ Options for State Funding of Public Libraries
- ☐ Library Technology, Collaboration, and Construction

# Study Mandate

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- **The 2000 General Assembly (Item 20 I of the Appropriation Act) directed JLARC to review:**
  - the equity of the formula used to allocate State aid among public libraries in Virginia; and
  - the impact of technological changes on library services.
- **JLARC is also directed to consider:**
  - the population and expenditure caps used in the current formula;
  - the inclusion of a construction component in the State aid formula; and
  - the ability of local governments to fund library services.

# Research Activities

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- **Structured Interviews**
  - Library of Virginia staff
  - Virginia Public Library Director's Association (VPLDA)
  - Virginia Public Library Directors
  - Virginia Library Association (VLA)
- **Site visits to public libraries**
- **Document and literature reviews**
- **Analysis of State aid formula, population and expenditure caps, and local ability to fund library services**
- **Survey of public library directors**
- **Analysis of library funding in other states**

# Summary of Findings

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- Virginia has a well established public library system. Through a combination of regional, county, city, and town libraries, every citizen of the Commonwealth has access to public library services.
- For most libraries, State aid is a valuable and consistent resource that serves to support basic library services.
- The design of Virginia's current funding formula addresses legislative intent -- the encouragement of larger and more economical units of service and the maintenance and development of library standards.

# Summary of Findings (continued)

7

- The State aid formula rewards regional cooperation and local effort. It recognizes geographical differences. In addition, the formula promotes increased access to public library services. The current formula should be retained.
- The current formula does not recognize local needs and conditions, nor does the formula address local ability to fund library services.
- Supplemental funding, distributed based upon local ability to fund library services, could be implemented to assist libraries in economically distressed areas.

# Presentation Outline

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# State Aid to Public Libraries

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- The General Assembly first appropriated funds (\$50,000) to the Library of Virginia to support local libraries and regional library systems in 1942.
- The primary focus of this initial appropriation was to develop new libraries. Provisions were also included to aid existing libraries, particularly regional libraries.
- The State aid formula in its current form seeks to
  - improve library services to the public,
  - bolster maintenance and development of standards, and
  - encourage economy through the formation of regional libraries.

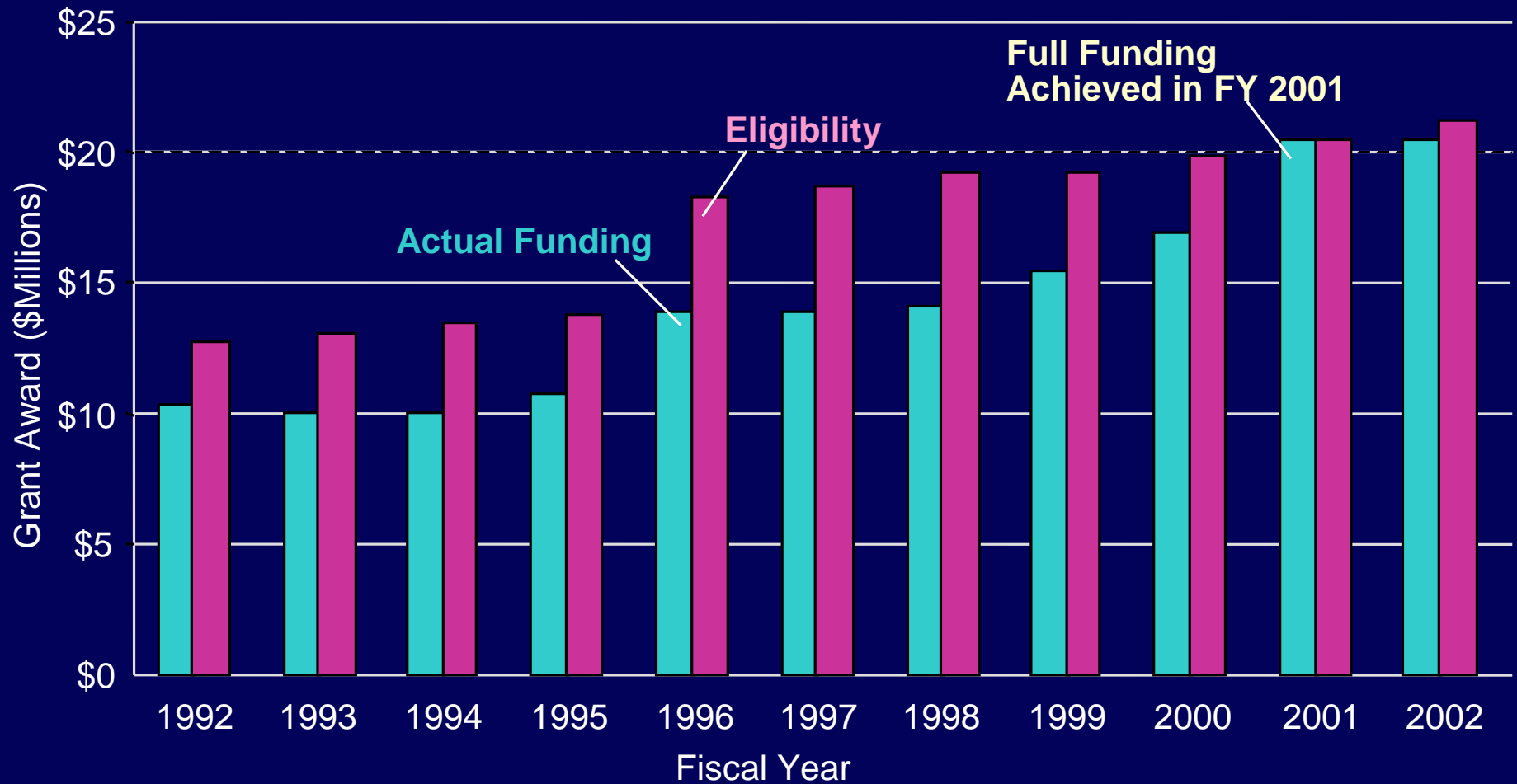
# State Aid to Public Libraries (continued)

10

- State aid is awarded to eligible libraries based on the formula established by Section 42.1-48 of the *Code of Virginia*.
- The authority to distribute State funding to public libraries is vested in the State Library Board.
- The current formula is based on three components:
  - Local expenditures (effort);
  - Square miles served; and
  - Population.
- State aid to public libraries for Fiscal Year 2002 is \$20,485,543.
- State aid represents approximately 10 percent of total library funding.

# Full Funding

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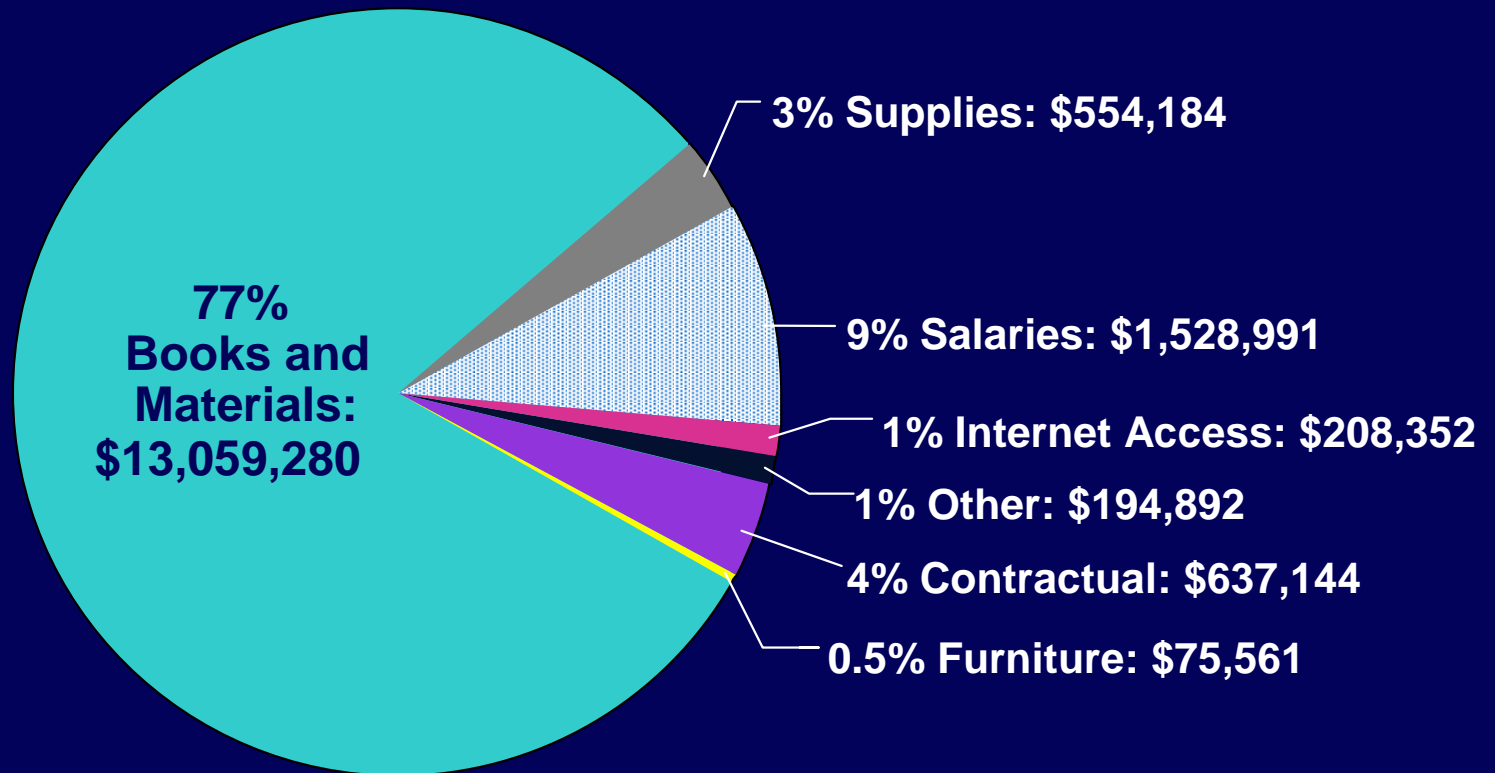
# State Aid to Public Libraries (continued)

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- **In order to receive grants-in-aid, localities:**
  - must apply for the State aid grants, and
  - must meet the requirements set forth by the Library Board.
- **State grants in aid may be used for:**
  - books and other library materials,
  - salaries, and
  - equipment, supplies, and contractual services.
- **State aid may not be used for construction or capital expenditures.**
- **Currently, the majority of State aid is used to purchase books and materials.**

# Uses of State Aid

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# Requirements for Receiving State Grants-in-Aid

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- **State requirements encourage local effort:**
  - Local expenditures must be equal to or greater than the amount expended the prior year.
  - Local operating expenditures must be at least 50 percent of the Statewide median.
  - Two thirds of funding must come from taxation or endowment.
- **The State aid requirements mandate that public libraries must employ a certified librarian as director.**

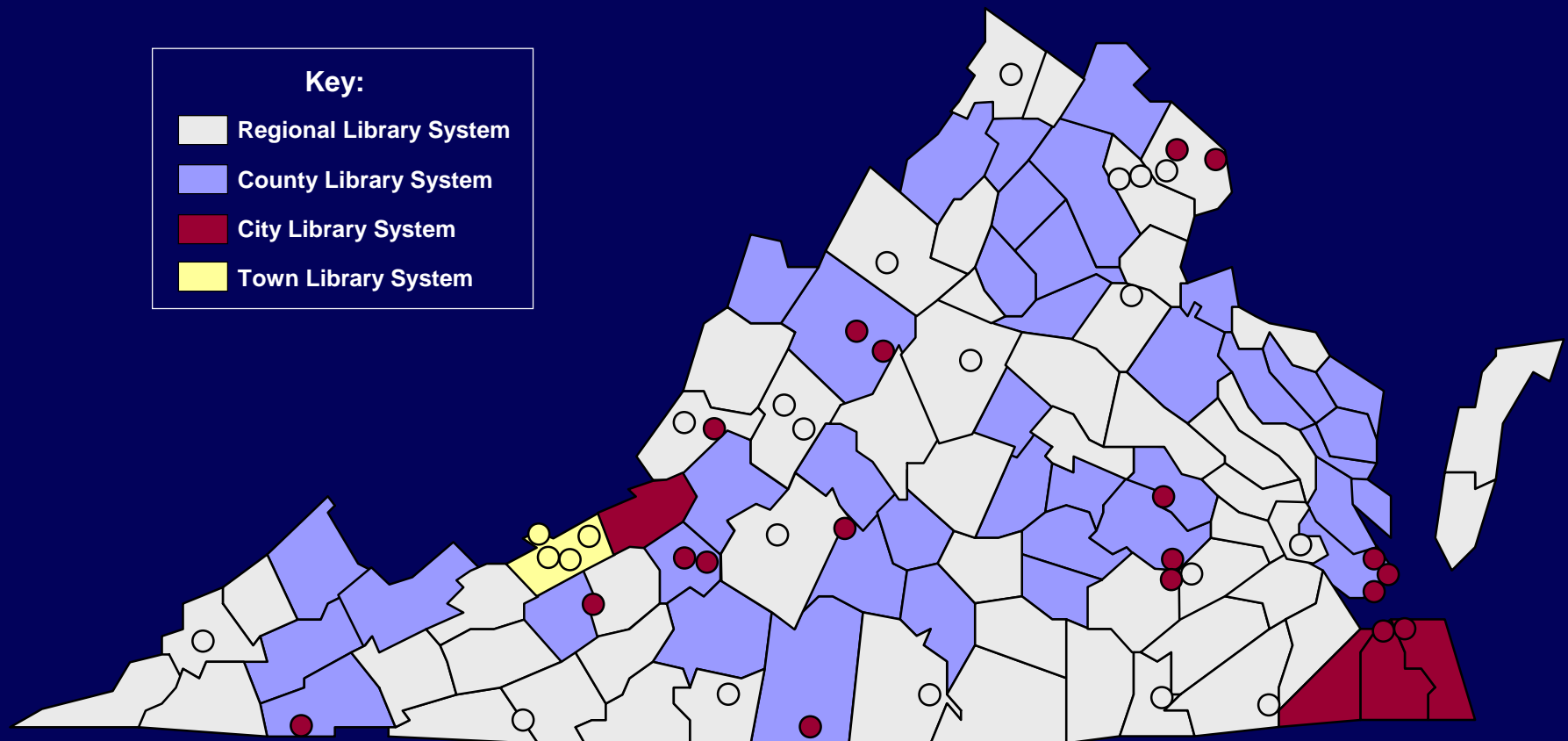
# Structure of Virginia's Public Libraries

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- Currently, the State's 90 public library systems consist of four types:
  - 41 County libraries
  - 22 City libraries
  - 25 Regional libraries
  - 2 Town libraries
- County and City libraries serve the independent city or county in which they exist.
- Regional libraries represent a combination of cities and counties that have joined together to form a regional system.
- Town libraries are created and funded by local towns, but these types of libraries generally do not receive State aid.

# Virginia's 90 Public Library Systems

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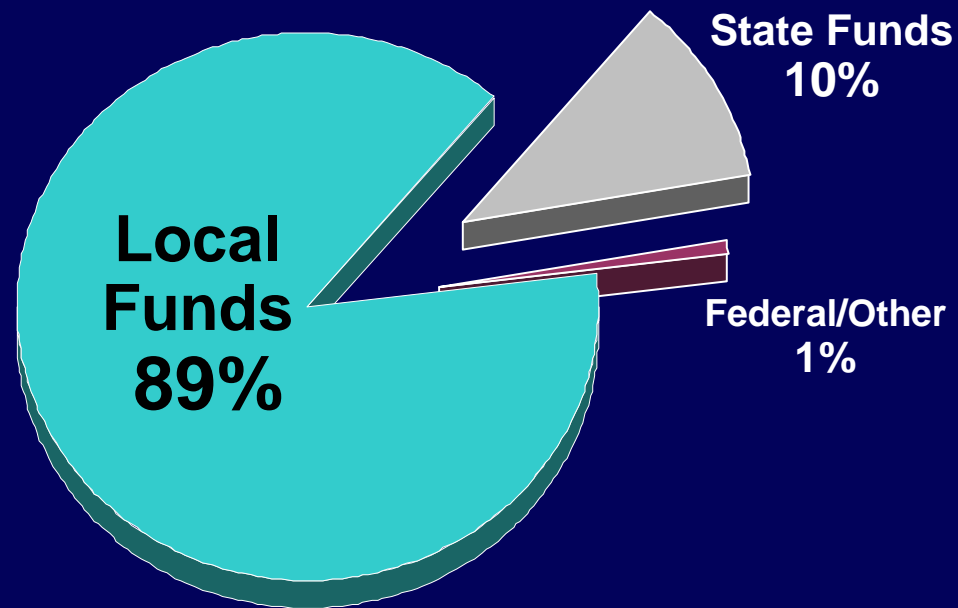
# Funding for Public Libraries

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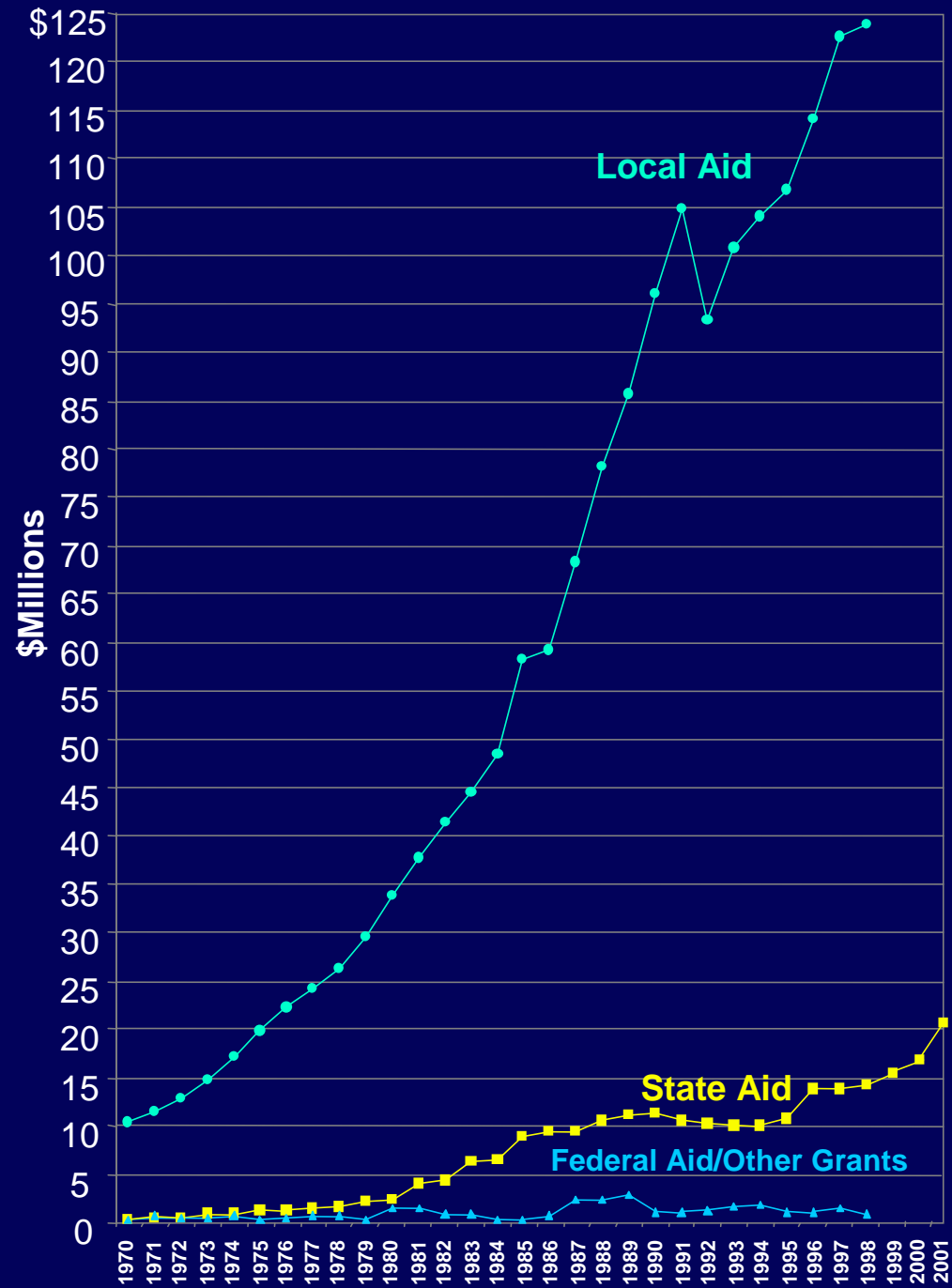
- **Public libraries receive funding from three primary sources:**
  - Local spending comprises the majority of library funding.
  - State grants-in-aid now represent about 10 percent of the funding to public libraries. Recently, State support has also included separate funding earmarked for technology initiatives.
  - Federal funds are less than one percent of library funding.
- **While most local funds are derived from tax revenues (80 percent), they may also include endowments, gifts, donations, and bequests.**
- **Recently, the Bill and Melinda Gates Foundation awarded a substantial grant, (more than \$6 million), to Virginia libraries.**

# State Aid Provides a Valuable Source of Funding to Public Libraries

18



# Growth in Library Funding



# Comparison of Virginia's Funding to Other States

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- Most states provide some funding without competition to their public libraries.
- Most states use a combination of factors to distribute State aid, including flat rates, per-capita grants, square mileage grants, and equalization grants.
- Most states employ a local funding requirement.
- Most states have standards for receiving funding. The standards most commonly employed are having certified librarian and remaining open a minimum number of hours.
- Only nine states allow state aid grants to be used for construction.
- Nineteen states, including Virginia, provide grant programs specifically for library technology.

# Presentation Outline

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# Changes to the Formula

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- Very few changes have been made to the State aid formula since its initial passage in 1970.
  - The square mileage and per capita grants have not changed since 1970.
  - The current population cap is the same maximum (600,000 persons) as was introduced in 1970.
  - In 1990, the match cap for local expenditures was raised from \$150,000 to \$250,000.

# Formula Component: Square Mileage

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- The square mileage grant pays ten dollars per square mile for any single political subdivision. Regional systems receive an additional 20 dollars per square mile.
- Providing library service across many miles has a variety of inherent costs.
- The square mileage grant appears to work well, and it rewards and encourages areas to join larger units of service.

# Formula Component: Population

24

- Virginia's use of a population component recognizes that there are costs associated with providing materials and services in highly populated areas.
- The population grant pays 30 cents per capita for each locality up to 600,000 persons served.
  - Regional libraries, serving more than one locality, are paid an additional ten cents per capita.
  - Libraries serving more than 600,000 persons receive only ten cents per capita for persons in excess of the cap.
- At present, only one library system, Fairfax County Library, has more than 600,000 persons.



# Formula Component: Population (continued)

25

- Virginia's statewide population has grown 52 percent since 1970.
- Eliminating the cap would increase the cost of the FY 2002 formula by \$108,843.
- In the absence of increased funding for State aid, however, the removal of the population cap would negatively impact the amount of State aid received by all libraries except Fairfax County Library.

# Recommendation

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- **The General Assembly may wish to consider removing the population cap contained in the current funding formula. However, in order to ensure that other libraries are held harmless by this change, some additional funding will need to be appropriated.**

# Formula Component: Local Expenditures

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- **The local expenditures component of the grant:**
  - encourages localities to combine units of service into regional arrangements;
  - rewards those localities that contribute more resources to their library; and
  - encourages local jurisdictions to fund library services.
- **The local expenditures grant pays libraries 40 cents for every local dollar spent on operating expenses, exclusive of State and federal aid.**
  - The grant to any county or city can not exceed \$250,000.
  - For regional libraries, the cap is applied to each participating locality.

# **Formula Component: Local Expenditures** (continued)

28

- While the local expenditures cap was increased in 1990 to \$250,000, it has not been adjusted for inflation since.
- In order to recognize the increasing costs of providing library services, one option is to increase the cap based on inflation.
  - Adjusting the cap for inflation would yield a new cap of \$335,979.
  - Adjusting the cap for inflation would increase the cost of the FY 2002 State aid formula by \$2.6 million.
- Complete removal of the cap is not feasible as it would almost triple the cost of State aid for FY 2002 to \$62 million. However, the cap could be adjusted to recognize rising costs.

# Recommendation

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29

- **The General Assembly may wish to consider adjusting the local expenditures component of the formula for inflation. In future years, the local expenditures cap could then be tied to the Consumer Price Index (CPI). In addition, the Library of Virginia should complete a periodic review of the local expenditures component of the State aid formula, conducted at least every ten years.**

# Options for Modifying the Library Funding Formula

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<u>Funding Option</u>	<u>Total Funding</u>	<u>Increase Over Full Funding</u>
1. Full Funding	\$21,230,728	---
2. Remove cap on per-capita grant only	\$21,339,571	\$108,843
3. Increase local expenditures cap only	\$23,897,574	\$2,666,846
4. Remove cap on per-capita grant AND Increase local expenditures cap (2 + 3)	\$24,006,417	\$2,775,689

# Local Ability to Fund Library Services

31

- The State aid formula does not recognize a locality's relative ability to fund library services.
- One aspect of funding equity is to examine whether there is a relationship between local ability to fund library services and local spending. JLARC staff used revenue capacity as the measure of local ability to pay.
- When considering all 90 libraries in aggregate, the relationship between revenue capacity and spending is substantial.
- When county, city, and regional libraries are disaggregated and compared as separate groups, the relationship between revenue capacity and spending is much stronger.

# Local Ability to Fund Library Services

## (continued)

32

- The between-group differences indicate that the spending-match component of the formula benefits cities more than counties in general, because they tend to spend more on their libraries out of relatively smaller revenue capacities.
- However, the strong within-group associations between spending and revenue capacity show that the spending-match component would also provide more funding to localities with higher revenue capacities.
- An adjustment to the formula for low local ability to pay (represented by per-capita revenue capacity) could:
  - offset the effect of localities with higher revenue capacities receiving more funding, and
  - benefit a substantial number of regional and county libraries as well as city libraries.



# Local Ability to Fund Library Services

(continued)

33

- JLARC staff developed a supplemental or “add-on” approach as an illustrative funding option which includes a size of operation proxy, and a factor representing low local revenue capacity.
- Using this criterion, the lower a locality's revenue capacity is (compared to the Statewide baseline), the more supplemental funding the library would be eligible to receive.
- If such an “add-on” program were to be implemented, two policy choices would need to be made:
  - Libraries eligible for assistance would have to be determined.
  - A total amount of available funding would need to be set.
- In order to ensure that no library loses State aid, funding of this nature should be addressed through a separate funding stream.

# Recommendation

34

- **The General Assembly may wish to consider addressing local ability to pay for library services by providing additional resources to fund a supplement or “add-on” to the State aid formula. This supplement would serve to address local ability to fund library services, which was not previously considered by the formula. If the General Assembly chooses to provide a supplement to the State aid formula, it will need to determine how many libraries will receive the supplement and the amount of resources it wishes to contribute toward funding the supplement.**

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# Technology and Library Services

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- The State's support of technology funding has allowed libraries to expand and enhance services.
- *Infopowering the Commonwealth*, the Commonwealth's five-year information technology plan, was implemented as a way to increase public access to electronic sources of information and help bridge the digital divide through Internet connections, new computers, and access to a statewide license for the Electric Library database.
- As part of his March 12, 2001 budget cuts, the Governor reduced funding for *Infopowering*.

# Recommendation

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- The General Assembly may wish to consider restoring funding for the five-year, *Infopowering the Commonwealth* strategic technology plan.

# Collaboration

38

## ■ Public libraries engage in a variety of collaborative endeavors, including:

- combining various administrative functions to provide services across multiple jurisdictions in a cost-effective manner (regional libraries);
- participating in interlibrary loan programs and reciprocal borrowing;
- participating in regional consortiums for purchasing books, materials, databases, and other library services;
- working with schools to provide curriculum-related materials and after school hours curriculum support;
- cooperating with local Departments of Social Services to administer programs to at-risk populations; and
- serving as hosts for local government and community information.

# Collaboration (continued)

39

- Collaboration has generally helped libraries improve operations and services.
- Collaboration has allowed libraries and patrons to access a wider range of materials without additional funds.
- Collaborative efforts enable libraries to share resources, minimize costs, and generally economize.
- Often, the most successful collaborative efforts take significant effort, time, and resources.

# State Aid for Construction

40

- **Currently, funds provided through the State aid formula can not be used for construction.**
- **The State aid formula is not an appropriate vehicle for supporting library construction needs.**
  - **Library expenditures tend to be occasional and non-recurring.**
  - **In any given year many localities will have no construction or capital debt service expenditures for libraries, whereas all libraries will have operational expenses and materials needs.**
- **Nearly 70 percent of library directors responding to the JLARC survey indicated that they do not support the inclusion of a construction component in the State aid formula, but 97 percent thought that the State should commit resources toward public library construction.**



# Restoration of the Construction Grant Program

41

- Currently, there are few sources of funding for library construction and most of the cost of such projects is borne by localities.
- The federal program that provided some construction support was terminated in 1996.
- Nearly half of survey respondents indicated that some of their facilities have a significant deficiency, and 26 percent reported that some facilities are obviously out of date, nonfunctional, or seriously inadequate.

# Restoration of the Construction Grant Program (continued)

42

- In the past, limited State funding was provided to libraries on an *ad hoc* basis.
- In FY 2000, the General Assembly approved a \$450,000 Library Construction Grant program providing for limited State assistance for construction projects.
- The Library of Virginia (LVA) was charged with administering this construction grant program. As part of this grant program, the LVA developed a more systematic distribution method, and objective criteria for the receipt of funding.
- The Governor cut funding for this program as part of his March 12, 2001 budget cuts.

# Recommendations

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43

- A construction funding component should not be included in the current State aid formula.
- Consistent with legislative intent in Item 255 C of the 2000 Appropriation Act, the General Assembly may wish to restore funding for the Construction Grant program.